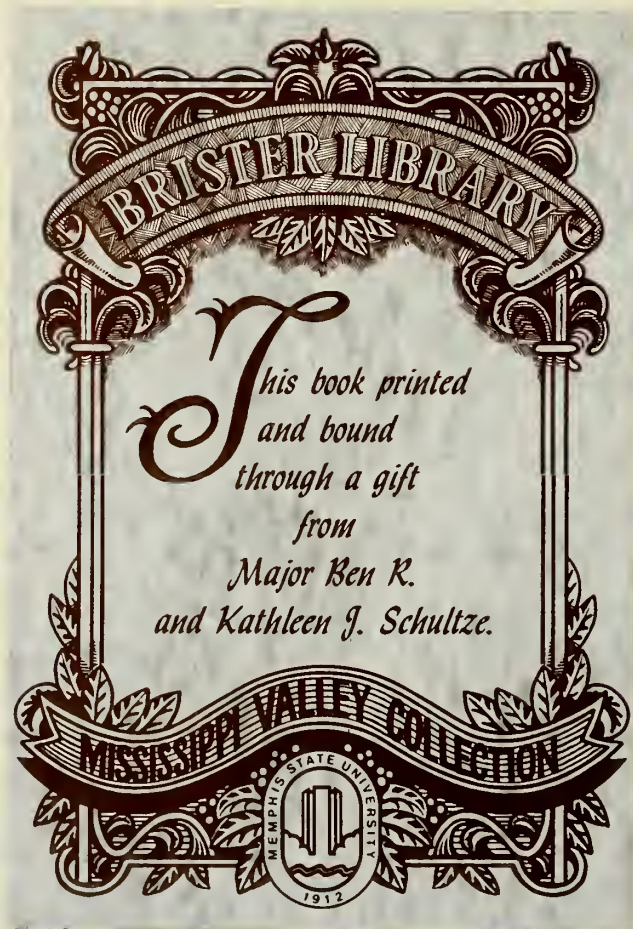


ORAL HISTORY OF THE TENNESSEE VALLEY AUTHORITY
INTERVIEW WITH
EDWARD FALCK

BY - CHARLES W. CRAWFORD
TRANSCRIBER - BRENDA P. MEIER
ORAL HISTORY RESEARCH OFFICE
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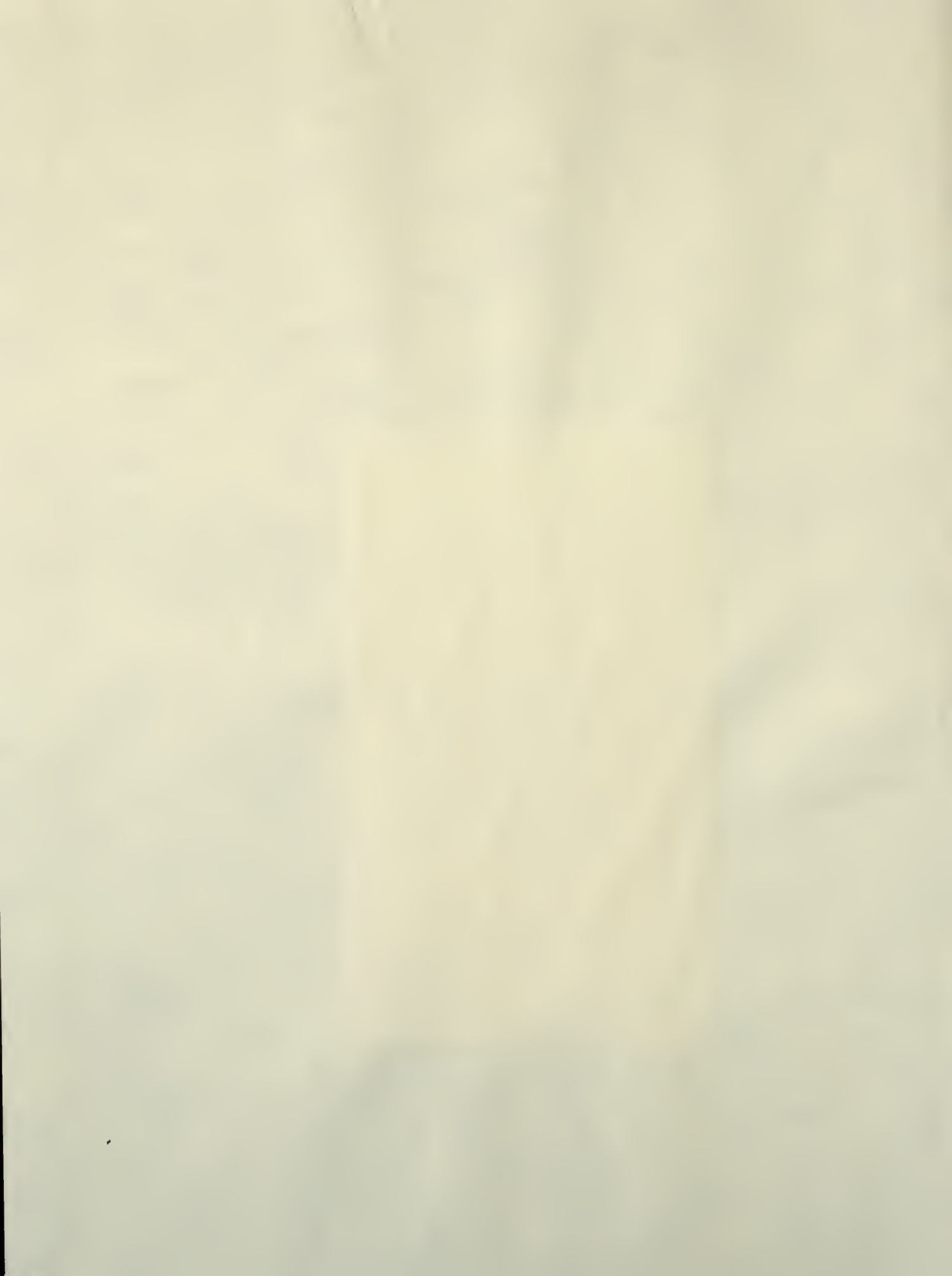
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ORAL HISTORY OF THE TENNESSEE VALLEY AUTHORITY

INTERVIEW WITH EDWARD FALCK

SEPTEMBER 25, 1970

BY CHARLES W. CRAWFORD

TRANSCRIBER - BRENDA P. MEIER

ORAL HISTORY RESEARCH OFFICE

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PLACE Washington, D.C.

DATE Sep. 29, 1970

Edward Falck
(Interviewee) **Edward Falck**

Charles W. Crawford
(For the Mississippi Valley Archives
of the John Willard Brister Library
of Memphis State University)

THIS IS THE ORAL HISTORY RESEARCH OFFICE OF MEMPHIS STATE UNIVERSITY. THIS PROJECT IS "AN ORAL HISTORY OF THE TENNESSEE VALLEY AUTHORITY." THE PLACE IS WASHINGTON, D. C. THE DATE IS SEPTEMBER 25, 1970, AND THE INTERVIEW IS WITH MR. EDWARD FALCK, FORMERLY WITH THE TENNESSEE VALLEY AUTHORITY. THE INTERVIEW IS BY DR. CHARLES W. CRAWFORD, DIRECTOR OF THE MEMPHIS STATE UNIVERSITY ORAL HISTORY RESEARCH OFFICE, AND WAS TRANSCRIBED BY MRS. BRENDA P. MEIER.

CRAWFORD: Mr. Falck, I suggest we start with a brief summary, in whatever extent you wish to give it, of your life before becoming associated with TVA--when and where you were born, your education, what experience you'd had before you went to work with the Authority.

FALCK: Thank you, Dr. Crawford. I was born in New York City in June of 1911. My early schooling was in Greenwich, Connecticut and in the public schools of the City of New York. I entered Columbia College in 1926, and graduated in 1930 with a degree of Bachelor of Arts. In 1929, in my senior year in college, I went into the School of Engineering at Columbia and received a Bachelor of Science degree in 1931 and a Master of Science degree in 1932 in industrial engineering.

I became a University Fellow at Columbia for the pursuit of graduate studies in the years 1932-33, and I qualified for the degree of Ph.D. but I failed to complete my dissertation for that degree. I left Columbia in June of 1933, and during that summer worked for J. G. White, an engineering corporation in the state of New York, on evaluation and appraisal of the pasteurizing plants of National Dairy Products.

During the summer I went to Washington, shortly after Mr. Lilienthal was appointed power director of TVA, and was briefly interviewed by him in Washington, D. C. and also by him and by Llewellyn Evans in New York in early September of 1933. They decided to give me employment with the TVA, and my initial assignment was that of a Rate Engineer reporting to Mr. Evans and through Mr. Evans to Mr. Lilienthal since there were a very small number of people in our division. During September to December, 1933 I had frequent contact with Mr. Evans and with another engineer by the name of Sullivan, and of course, with Mr. Lilienthal. My activities were mainly centered on the evaluation of economic and rate problems and issues of the TVA. I established the original retail rates that were suggested by TVA for use in all of the TVA contracts for use by the municipalities and cooperatives to whom the TVA sold power at wholesale.

As a matter of fact, the people in the policy division of TVA at that time had little or no faith in the

integrity or the ability of public service commissions to set a just and reasonable rate to the consuming public through the traditional public utility regulatory methods, and a concept developed that TVA should establish so-called yardstick rates, which would be an example for the privately owned electric utilities and also an example for the State Regulatory Commissions. These rates were generally some 50% lower than the prevailing retail rates then being charged, not only by the privately owned electric utilities, but also by the municipal utilities.

One of the problems that TVA found, even in dealing with the municipal utilities, was that they were using the electric service for the purpose of collecting taxes to the benefit of real estate and other property owners so that the electric consumer frequently was having to bear a higher proportion of the total tax load than we considered would be proper.

One of the early problems of the TVA of great proportions was the allocation of the investment in Wilson Dam between the functions of navigation, national defense, flood control, and electric power, and I became the initial chairman of the Evaluation Committee that proposed to the Board the proper economic method of solving that problem in joint costs. One of the members of the committee was Professor James C. Bonbright of New York, under whom I had studied at Columbia. Another member was Professor Martin Glaeser from

the University of Wisconsin. A third member was a rate expert from the Public Utility Commission of Wisconsin by the name of Edward Morehouse. We worked on several evaluation and allocation reports and eventually one of these was officially adopted by the TVA. The importance of evaluation was that it set the rate base, initially, as to how much of the total cost or value of Wilson Dam would be charged to the electric rate payers and would have to be amortized in rates in order to prove that the TVA was on a business footing.

It will be recalled that the TVA Act required the TVA to operate with a flexibility and the initiative of a business enterprise and every effort was made in those days to set the electric power department of the TVA on a business footing, even though other functions being performed such as the fertilizer and the educational activities--many social activities of the TVA--were not expected to be either revenue producers or self-supporting. This always requires the exercise of some of arbitrariness in allocating joint administrative overheads and joint profits, but we did make a sincere effort to make the allocations between the revenue producing activities and the non-revenue producing activities on a fair basis.

The second most important function that I had was to not only negotiate contracts with municipalities and REA cooperatives, which we helped to form with these farmers and the rural people in order to make electricity available to

areas to which the privately owned electric utilities at that time refused to extend service, but also to see that the management of these municipalities and cooperatives were such as to make them self-supporting and to amortize the investment in the loans that were for the most part made to them by the federal government. The TVA, itself, very rarely advanced funds to municipalities and cooperatives, but these monies were made available either by the REA in Washington or by the Public Works Administration, one of the relief agencies set up by the Roosevelt administration.

We prescribed in our contracts with the municipalities and cooperatives both the rate and sort of a uniform classification of accounts that they were supposed to utilize, and we asked them to give us reports on their operating results, their sales and revenues and the growth in their load. But one of the landmark policies--assumptions that entered into the TVA rate formula was the concept of promotional rates, so that we started with rates that were actually not self-supporting but at a much lower level than what a utility company would prescribe as a self-supporting rate and which no public service commission would actually require a utility company to charge, but for the reason that such rates could be proved from a legal point of view to be confiscatory rates or rates not sufficiently high to cover their costs. That would be, of course, on the assumption that the total sales would stay at the level at which we found them.

My theory or concept was that by charging drastically lower rates that the lower level would promote a tremendous increase in utilization for the customer and that at the end of the year or 18 months the higher sales volume would bring a sufficient revenue to make the entire operation self-supporting and profitable. This actually occurred and I had the opportunity of writing a number of rather elementary statistical reports giving the results of the operations of the cooperatives and municipalities who were the earlier purchasers of power at wholesale from the TVA. Among these, as I recall, the first municipality was Tupelo, Mississippi, which was widely publicized at that time as the first successful municipal operation of TVA rates and one of the earlier cooperatives was the Alcorn County Electric Membership Association at Alcorn County, Mississippi, which was started actually by myself and Joseph C. Swidler, and a third member of the committee whose name was William I. Nichols. We were very heartened and pleased by the success of these early pioneering efforts with distribution additives at a very small scale.

The third major contribution that I made in the TVA was in power policy and working as advisor to Mr. Lilienthal and to the legal division of the TVA that were concerned with power matters, and the matter of negotiating power contracts both with the privately owned electric utilities and with the

Aluminum Company of America, which was one of the largest users of power in the area. I had the title during most of my period with TVA of Director of the Division of Rates, Research and Economics, but I also had a title of Chairman of the New Contracts Committee. The other members of the New Contracts Committee were Swidler and Nichols. We had the function of doing the preliminary negotiations of power contracts--selling TVA power at wholesale to both the municipalities and cooperatives, and also in the preliminary negotiations with the power companies. Of course, the final negotiations of large contracts were always the responsibility of Mr. Lilienthal and the top General Counsel and the Assistant General Counsel of TVA. I think that about summarizes my activities there. I left the TVA voluntarily at the end of 1936 to take an appointment elsewhere.

CRAWFORD: Can you tell me something about your part in the Tupelo Contract. I know that was a landmark case, and I believe you had a very close deadline to meet. What part did you play and when did you start working on that?

FALCK: Well, this all happened some 37 years ago, so my recollection of details is not too clear, but I believe that I was the first TVA representative to go to Tupelo and to visit with the then mayor, whose name was Mayor Nannie, and to explain the type of contract that the TVA had

to offer and the conditions attached to the contract, including the reduction in the retail rates of the city. And the city was originally a municipal system. It was not a system that was being converted over from private ownership to municipal ownership.

CRAWFORD: Do you know if the initiative in that came from TVA or from Tupelo?

FALCK: I think that all of our early trips to municipalities were in response to either letters of inquiry or letters addressed to either Knoxville or Chattanooga or to Wilson Dam offices of TVA. At the time of the Tupelo contract, I was then living at Wilson Dam, which was in the Tri-City area and we used to go back and forth by automobile from Wilson Dam to Tupelo. I think probably the city of Tupelo sent some similar inquiry to the TVA Board, inquiring about the eligibility of power, rates, and so forth, and I was sent out there as a TVA representative to explain the possibility of making transmission connections, improving the power, and so on.

CRAWFORD: Do you know why Tupelo was selected as the first municipality? Was there something particularly favorable in that case?

FALCK: I can't answer that question from knowledge.

Speculatively, I recall that we were talking about Athens, Tennessee. I think that was Athens, Alabama, our second municipality to be signed up, and also about Pulaski, Tennessee. In terms of miles, those three towns, which were already municipal, were within closer transmission reach. Then we had no transmission network and they were just easier to get to in terms of the number of miles of transmission to the only source of power that we had to begin with, which was the Wilson Dam power. The transmission line between Norris and Wilson Dam had not yet been built and we weren't at all sure that the power companies would make available their existing transmission facilities to haul power from the TVA dam to some customer that was not their own customer so that I guess it was a matter of the logistics of transmission that dictated taking the closest in terms of geography, the most proximate municipal towns as our initial customers or initial prospects.

CRAWFORD: Do you know how TVA made contact with you, Mr.

Falck? I believe that Llewellyn Evans recruited you in New York in September of '33--at least he interviewed you. I believe that David Lilienthal may also have seen you. Do you know how they learned about you?

FALCK: I can explain that from my own personal recollection in detail. I came to Washington in the early summer of 1933 seeking employment--which was one of the worst years of the depression--and none of the ordinary industrial consulting engineering or financial houses in New York City were employing anybody, so I felt that my opportunities would be maximized if I came to Washington where the New Deal was commencing and where employment opportunities for young people seemed to be numerous. I came armed with letters from several of my Columbia professors, notably Professor Bonbright and Professor Dodd, both from Columbia, and one of the letters that I had from Professor Bonbright was an introductory letter to the then Chairman of the Interstate Commerce Commission who was a very elderly and prestigious individual. When I talked with him about the possibility of my being employed by the Interstate Commerce Commission he told me that ICC was a very old agency with little opportunity for personal development for a young man.

Of course, the TVA had just been enacted into law on May 18 of 1933, and he further told me that Mr. Lilienthal was presently in Washington at the Powhatan Hotel and he suggested that if I chose to do so, I might go over to the hotel and seek an interview with Mr. Lilienthal, which I did either in late May or early June of 1933. I presented myself to Mr. Lilienthal and gave him my education and biography and perhaps a photostatic copy of some of my letters of introduction from Columbia professors.

He took it under advisement and told me that I would hear from him later, either from him directly or from one of his engineers, and about three months later I received a telegram either from Mr. Lilienthal or from Mr. Evans suggesting that I meet them at the Commodore Hotel in New York. My initial interview there with Mr. Lilienthal was while he was shaving, after having come in from Chicago and changing his clothes from an all night trip on the train, and going to have some meeting in New York. At that time Mr. Evans was also in his bedroom and he told me that I would make my detailed arrangements with Mr. Evans and take a train down to Knoxville, Tennessee at my earliest convenience.

CRAWFORD: Did you find that the report given to you by the Chairman of the Interstate Commerce Commission was correct? Did you find that TVA was a better opportunity for a young man in 1933?

FALCK: Yes, of course. I was, as many of my contemporaries, extremely happy and extremely thrilled to be with a new agency that had very lofty ideals in addition to merely having the ideals that you can find in many college campus textbooks. TVA was actually doing thing very rapidly and very vigorously and very effectively to carry out their ideals and put them into concrete form. We were so intoxicated with our

employment that we ate with TVA people, both boys and girls, and we talked TVA weekdays, Saturdays, Sundays and holidays. It was our entire life. It was not only our vocation, but it was our recreation. We were completely absorbed by it. It was a very exhilarating experience. Nothing of the same kind could have been possible, even in the Interstate Commerce Commission, or, in my opinion, any other agency located in Washington. I think one of the great gifts of the legislation was to put the central offices of TVA outside of Washington so that it could develop its own autonomy and its own flexibility and its own individual personality.

CRAWFORD: Were you impressed with the quality of personnel in TVA when you went to work for the Authority?

FALCK: Yes, I was. I think TVA had the most exceptional, high quality and the most technical moral, ethical, and professional point of view of any organization I've ever been with, including organizations that I've been with in the subsequent thirty years.

CRAWFORD: Where did you live at this time? Were you in Knoxville, Chattanooga, or the tri-cities?

FALCK: Well I first arrived in Knoxville for a few days and I lived in a hotel. I was then assigned to the barracks that were formerly occupied by the Corps of Engineers. I was a bachelor at the time, and many of the junior engineers of the TVA--statisticians and economists as well--lived on the site of the Wilson Dam, on the property that had been operated by the Corps of Engineers before the TVA took it over. After that I was moved to the city of Chattanooga and the Power Division of TVA was established in Chattanooga, but I commuted between Chattanooga and Knoxville several times a week during the entire period that I was with TVA.

CRAWFORD: You faced the problem of setting some yardsticks for power. Looking back on it, do you think that the rates you set at that time were reasonable or would you do it differently if you had to do it again?

FALCK: No, I would not. I think the rates turned out to be viable rates and they turned out to be financially feasible rates. And many of the assumptions that we had made without any real factual evidence to go on realized our assumptions and our hopes beyond any dreams; that is, the coefficient of expansion or the rate of growth was absolutely phenomenal. And as a matter of fact, several of the early municipalities and the early cooperatives reduced their rates

after the first fifteen years, below the initial threshold rates because they had been able to amortize their investment in distribution plants. One of the best discoveries or inventions or devices for which I claim a degree of originality, was the imposition of an amortization surcharge of 1¢ per kilowatt hour on the rates of electric membership cooperatives, and this surcharge was used to pay off the indebtedness to the federal government in Washington so that once that indebtedness had been paid off it was possible to reduce the rates to an even lower level because the carrying charges would not have to be paid on that investment year after year for perpetuity, which is the case in most utility operations.

CRAWFORD: Did your statistical information that you needed to make these decisions arrive quickly enough or did you have to make decisions before having all the data that you needed?

FALCK: I'd say we didn't have any real data to make our decisions, or on which our decisions were based. It was almost entirely the use of deductive reasoning and common sense. About the only data that we had was data that Mr. Evans supplied concerning operations of the city of Seattle and the city of Tacoma, which were two of the outstanding municipal systems in the Pacific Northwest. We had some data also concerning the municipal power system of the city of Los

Angeles, California, but the number of municipalities that were successfully operating in the United States at that time were very few, and of course, we didn't think that the data available for private utility operations would be useful to our purpose.

CRAWFORD: I know that this yardstick that you established--
the rate that you did set--had a real effect in adjoining power supply areas. Did this have an effect nationally, as well, on rates?

FALCK: Yes, I think it did. The immediate effectiveness of the yardstick rates was a competition of example. And, of course, the competition of example was felt by the utilities that were immediately surrounding the TVA area with a greater degree of responsiveness. Their reaction was a good deal more responsive than those who were remote from TVA, and TVA could be described as a virus that was attacking the private utility sanctities. When the system was removed from the center of the virus, why the less effect.

I think it had very little effect in, say, New England or the Chicago area, but in the states immediately adjoining the Tennessee River and the Tennessee Valley, many of those utility managements were afraid that the contagion of municipal ownership or the desire for public ownership might spread unless they reformed, increased their public relations, increased their extensions into rural areas, and satisfied the

requirements of farmers not in the sphere of electric service-- unless they drastically reduced their own rates to a point that was acceptable to the populations that they were serving-- that they would go the way of let's say Knoxville and Nashville and Memphis and so on, and they would succumb to the public ownership movement. So part of the response was perhaps admiration for the yardstick and part of it was defensive response. I suspect that most of it was defensive.

CRAWFORD: How did you deal with the initial problem of selling this power? You had the matter of how to dispose of it and you did it to municipalities and cooperatives. Did you wait for the municipalities to come to you? Did you make overtures to them?

FALCK: Well, I'd say both methods of introduction were taking place simultaneously. We were answering correspondence. We were answering telephone calls. Mr. Lilienthal and other people in the TVA made many speeches to the universities and municipal groups. They were frequently asked to appear on platforms and to explain what the TVA was all about and what its program was and what its aims were, and these speeches were widely reported in the press without any paid advertising so that the TVA was the great subject for reporters and writers.

Articles were written in the liberal magazines and the conservative magazines, ranging from the New Republic to the

Saturday Evening Post so it was a period during which TVA was the center of tremendous interest, both regionally and nationally, and TVA was in the air. It was a very exciting thing and many industrialists felt--even conservative businessmen--that TVA power would be very helpful to their community because chemical plants--metallurgical plants--could use the low-cost power to advantage competitively. As a matter of fact, one of our biggest industrial contracts was the Monsanto Chemical, which had its headquarters in St. Louis, Missouri. They decided to come down to the TVA area and to establish a plant. Another one was Reynolds Metals Company. They wanted to have the opportunity of low-cost power, and they came down to Lister Hill in Alabama so that I wouldn't say that the TVA never went out to peddle electric power because it really wasn't necessary. The fact that it was low-cost was attractive to industrialists and was attractive to municipal mayors, and the city councils and the like.

CRAWFORD: Did you anticipate the tremendous increase in demand for power in the region?

FALCK: I would say, yes, we did. It was a combination of hope and anticipation.

CRAWFORD: I think there is no doubt that you developed a very successful yardstick--a very successful distribution of power. Why do you think, and I know you can give no more than an opinion about that, it happened? Do you think it was because of being able to start TVA in the bottom of the depression? Do you think it was because you were able to start in an area such as the Tennessee Valley, or do you think that the TVA Act creating an agency with the authority of government and the flexibility of private enterprise helped? How do you think these factors fitted together? In other words, why, in your opinion, were you able to make the success in power distribution that you were?

FALCK: All those factors were complimentary and self-reinforcing. Starting in 1933, anybody could be a hero because you could only go up. You couldn't go down, and anybody who could start a mutual fund in 1932 or 33, could, by 1940, look backward and say that he did a fine job, so that to some extent the whole economy of the United States, plus the economy of the region of the TVA, all improved, taking the 1932-33 as a base year so that is a factor in a statistical comparison.

A second factor is that the expenditure of federal funds for the construction of TVA dams itself gave a great deal of employment to people in the Valley. There was a large percentage of unemployment there, both in the mountains and in

the valleys, and people flocked to these centers where the construction camps were and where cement was being sold and roads were being built and forests were being converted into timber and so on, and the entire activity and expenditures of the TVA itself made some contribution to the economic growth patterns. And the non-electric work of the TVA and soil conservation and what not also helped to bring money into the area and to improve productivity, but with all of those things the bringing of electricity to farms, which the utilities were very, very reluctant to do--they didn't want to build extensions miles into the country with only two or three customers per mile and hope to break even in twenty years. They wanted to wait until the density of customers was four or five customers per mile before they would spend the money.

The TVA arranged through one method or another to get these lines constructed, sometimes even using the customers to supply the labor and the poles, and also designing very inexpensive lines that the utilities would not use. TVA originated the wide application of aluminum-conducted, steel-reinforced instead of the more expensive copper lines that we had used previously, and Mr. Evans devised the use of small glass insulators attached to the poles instead of the more expensive cross-arms. All of these efforts taken together made it possible to bring lower cost electricity to the farms, which would have never gotten there any other way, and then once the

electricity was there, the number of uses or applications of electricity on the farm multiplied, and with this multiplication in use and the increase in volume, projects which might have been on the ragged edge of economic feasibility or infeasibility turned out to be--as I say, both our anticipation and our hopes were realized.

So I would say the fact that we started in the depression was a contributing cause. The factor of TVA expenditures which came from the federal taxpayers were a cause of the later prosperity.

I think the policies in rural electrification and the policy of starting with basically low industrial rates and basically low retail rates were also a very important factor. I wouldn't say one is more important than the other.

CRAWFORD: Why were you willing to take a chance on these low rates, which, of course, in time were proven right? The private power companies had not supplied the needs of rural areas. They were not willing, or at least did not, adopt these policies of low rates and encouraging distribution. Why did TVA do that? Whose foresight was this? Whose idea?

FALCK: Well, I suppose the small core of liberals, which some people would now call radicals, had a great deal of influence in the literature and public utility regulation

for the decade or two prior to the start of the TVA and many economists who were teaching in universities at that time, as well as a few politicians like Senator Norris, who is the political father of TVA, felt that the prevailing rates of the electric utilities were high, exorbitant and inexcusable. They were seeking some way in which the government could provide an example to prove that a lower level of rates would be compensatory and practical. And there had been so many scandals which were developed, and examples of wrong-doing by the holding companies and holding company managements and deals between phoney companies and subsidiaries, management companies, and the like, that had been unveiled in investigations of the Federal Trade Commission which were the precursors to the Holding Company Act of 1935.

There was a band of liberal writers and thinkers and analysts in the universities, and some of them elsewhere, who had been vociferating mainly to each other for years that something ought to be done. One of the great factors in this was not the TVA, but was in the literature of Morris Llewellyn Cooke, who became the first administrator of the REA. Cooke and Leland Olds, who was then attached to the New York State Power Authority, were all voices crying in the wilderness, saying something ought to be done to bring down the cost of electricity, and many people felt that whenever they talked to the privately owned electric utilities that a great mystery was being made

of the cost of electricity, as if it took an Einstein or some kind of a mathematical genius to determine how much electricity really costs.

It was the fact that that philosophical, economic dialogue, so to speak, among the liberals versus the conservatives in the field of public utility regulations that TVA was given birth, and some of the people who were advisory to the TVA were mostly people who were brought up in the school of public utility critics. People, as I say, like Professor Bonbright and Professor Glaeser were critical of the rules of the public service commissions and a younger generation of economists like myself were taught by these older professors and we likewise felt that there was something wrong with the rate structures and also with the corporate devices that were being used by the electric utilities as they were then organized. There have been great changes in the last thirty years, and I wouldn't say today that the electric utilities are equally suspect of overcharge, but at that time this small band of liberal thinkers in the public utility sector--we were all unanimous in our assumption, if you please, that the then rate structures were excessive.

CRAWFORD: Was your preparation adequate? Did you feel that your preparation was adequate to handle this work when you started it?

FALCK: That was one thing I was very certain about.

There was no question whatsoever.

CRAWFORD: You worked with Professor Bonbright and Glaeser later, didn't you, in a consultant's capacity?

FALCK: Yes, I recommended that they be brought down to TVA as consultants.

CRAWFORD: You were familiar with Professor Glaeser's work, then, before that time, weren't you?

FALCK: I was brought up on his outlines of Public Utility Economics. I was very well equipped from a literary standpoint. I think I had probably read everything written in English on electric rate structures in the United States as of that time. I specialized at Columbia in public utility economics and regulations.

CRAWFORD: And you worked with other competent people, didn't you, in this area? I believe that Mr. Evans had a good deal of experience, practically, in the far west in this.

FALCK: Yes, sir. Mr. Evans' experience is practical rather than, shall I say, academic, but he had vast

practical experiences. He was a very sound thinker and a sound engineer. There was one man who died, whose name, unfortunately, I've forgotten, and it may have been Claggey. Somebody else may have mentioned his name. He died rather accidentally in '33 or '34. He was a good rate man and possibly would have been my senior if he had lived, but he had an untimely death.

I might say that the lawyers who were on the staff of the TVA made a great contribution in the difficult area of contracts and rates--James Lawrence Fly, Swidler, Marks, and Fowler. There were a great number of them that participated in negotiations.

CRAWFORD: Your work was in preparing the information for their cases, in part, wasn't it?

FALCK: Yes, I testified several times for TVA, including in the Ashwander Case.

CRAWFORD: Did you testify in the Eighteen Power Company Case?

FALCK: I think that started after I left. I don't believe I did.

CRAWFORD: Let's see. You left in '36, did you not?

FALCK: Yes, in December.

MRS. FALCK: Early '37.

FALCK: Early '37. I was married in December of '36, and I left shortly thereafter.

CRAWFORD: Did you come to Washington then?

FALCK: I came to Washington seeking employment, but I didn't find any, and I ended up going to New York.

CRAWFORD: I know our time is short. May I ask you something about the cooperatives and their formation? I know they were not there at the beginning. How did you manage to sell this power to cooperatives? Did you encourage their development? Did you supply consultation to communities?

FALCK: Yes we did. We knew many farmers wanted electric power, and several of them would write letters to us saying, "How can we get some TVA electricity for our farm?" and we would write back and say "Well if you will organize a meeting at the local schoolhouse or in some local, community building, we'll come out and have a talk with you if you'll bring thirty, forty, fifty people there." And the farmers

would come with their wives, family, and many had children in arms, at night and we would have a two-hour meeting with them and we would tell them if they would band together and have not less than 100 families and form a cooperative, (Then we gave them examples of how a cooperative works) then we said we would work with them, and this was even before the REA was established. There was no Rural Electrification Administration. This was the year before REA was formed. And we supplied the by-laws and legal framework for a cooperative, and they would get together and just form on a sort of Plymouth Rock basis, I mean like the early settlers. It was one of the most (and I think I used the word exhilarating before) exhilarating experiences of my life to meet with people who didn't have electric power to read by and to have their children read by. They were very, very anxious to get it, and were willing to do anything possible, including chopping down trees and digging post holes to put the poles in, and helping to string the wire--anything to get the juice--and it was a very exciting period in my life.

CRAWFORD: Did you travel extensively to these communities in these meetings?

FALCK: Yes, I was in a car provided by TVA for about six days a week. I was constantly traveling throughout

three or four states--Alabama, Tennessee, Mississippi, and the fringes of Kentucky and so on.

CRAWFORD: Did you generally find the people were receptive to this idea of forming cooperatives and purchasing power?

FALCK: Yes, the farm people were very, very enthusiastic. The only time we ever found any difficulty at all was not among the farmers in the groups, but among some of the city council people who already had municipal ownership and they didn't want to see an outside group dictating the rates or the profits that they might make out of their municipal entity. Some of them were using their municipal systems just as a tax collector, as I think I mentioned earlier. They took a dim view of the TVA.

CRAWFORD: Was it difficult to get this practice of using power sales as a tax collection device stopped?

FALCK: Yes, it was. You might say some of the privately owned electric utilities would send their representatives, either disclosing the fact that they were representatives or covered with anonymity to spark the anti-TVA attitude within the council, saying that they wouldn't appear

in the robes of the Georgia Power Company and Alabama Power Company, but there was always somebody on the council who we knew was representing their point of view, and they would say, "Well, this is very foolish to reduce these rates. The saving per month per individual consumer is something that they will just spend buying chewing gum or something. It's unimportant to them, but with the loss of revenue to the city-- if you use that revenue which is now being gained from the municipal distribution system, you are going to have to tax the land owners more." How are you going to pay for the schools and the fire department, and this and that and the other thing? So there was formal opposition.

I remember one night when I was in Pulaski and we had a tough meeting, and I was told that this was the city in which the original Ku Klux Klan was formed. And I had visions of Mr. Swidler and myself being carried out and tarred and feathered, but it turned out that the council was very benign and we succeeded in getting the contracts signed.

CRAWFORD: Did you experience any effective opposition from power companies?

FALCK: Do you mean personally, or did TVA?

CRAWFORD: TVA--your work in developing cooperatives.

FALCK: Well, at a later stage they would race around in trucks and began building competitive lines to get there first, and if they got enough of a county, it would prevent the formation of a successful cooperative, but most of this activity took place after the end of my tour of duty with the TVA, but I had a great deal to do with it during World War II. I happened to be Director of the Office of War Utilities of the War Production Board, and I decided, in my governmental capacity as head of the WPB, who would get the priorities during the period of 1941 to 1945, before rural electrification. By that time the utilities believed that this was a very good market and they wanted to serve it. But ten years earlier, they didn't want the market. We didn't have any opposition of any real consequence.

CRAWFORD: I've heard something from Fannon Beauchamp in Sheffield, Alabama, about difficulties later, I believe.

FALCK: Yes, he worked there. He worked under my direction during World War II for a while. Yes, there was a great deal of competition later, but from '33 to '36 the utilities disregarded that farm market. They didn't really care about it.

CRAWFORD: At the time you left the Tennessee Valley Authority at the close of 1936, had you extended the power market about as far in the area as you wished? Had you covered a fairly large percentage of it by that time?

FALCK: Well, negotiations were being held by Lilienthal to take over the Tennessee Electric Power Company. They had already taken over the northern portion of the Alabama Power Company along that northern tier, just south of the Tennessee border. I don't know whether the acquisition was completed or had been agreed to but was not completely consummated. I felt that the size of the directly served TVA market, by that time, was about as large as needed for yardstick purposes, and Dr. Morgan felt that way too.

There was a question at that time whether Lilienthal was going to push for public ownership in principal for the entire basin or whether he would be content to leave the market for TVA power about where it was. I never say any recital, completely lacking in ambiguity, as to what Mr. Lilienthal did then want. This was one of the reasons that Lilienthal and Morgan had such a hell of a fight.

I think Lilienthal's position was the way some people are in international negotiations; that you don't tell the other side exactly where you want to go or at what point you want to stop or when, and use that stack of uncertainties as a bargaining tool.

CRAWFORD: Had you reached a significant part of the rural farms or the rural homes in the area by the time you left?

FALCK: Well, let me say this. We had a significant number of the counties organized for rural electrification, but the mileage and the construction of poles and lines and so forth was far from saturation. We had the entities in being, but in each county they might have only been serving three, five, ten, or seventeen percent of the potential population later to be served. It was still pretty much of a "phase one" of the development. It was certainly not saturation.

CRAWFORD: Did you work from Chattanooga all the time you were with TVA, or until you left?

FLACK: Well, my official residence was there, but I was in travel status most of the time. I was living on only three or four dollars a day, but I imagine I was traveling four or five days a week either in Knoxville, or central Tennessee, or West Tennessee, or northern Alabama, on up into northwestern Georgia.

CRAWFORD: Thank you very much, Mr. Falck.

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